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GUILTY PLEA ENTERED IN SECURITIES FRAUD SCHEME

SACRAMENTO--United States Attorney McGregor W. Scott announced today that DANIEL A. CUNNINGHAM, 39, of Sacramento, plead guilty this morning before U.S. District Court Judge William B. Shubb to conspiring to commit securities fraud. Sentencing has been set before Judge Shubb for June 9, 2004 at 9:00 a.m., where CUNNINGHAM faces a maximum sentence of five years in prison and up to a \$250,000 fine. CUNNINGHAM's co-defendant, JOHN J. DRUMMOND, 38, entered his guilty plea before Judge Shubb on February 18, 2004, and is currently set to be sentenced on April 28, 2004.

The case is the product of a joint investigation undertaken by the Federal Bureau of Investigation, the National Association of Securities Dealers, and the Securities and Exchange Commission.

According to Assistant U.S. Attorney James P. Arguelles, who is prosecuting the case, DRUMMOND and CUNNINGHAM admitted as part of their pleas that during the period of November 1999 through May of 2000, they participated in a conspiracy to generate profits by manipulating the shares of stock in small capitalization companies. The defendants did this by conducting multiple unauthorized trades in the accounts of unsuspecting customers of brokerage firms throughout the United States.

CUNNINGHAM and DRUMMOND admitted that as part of the scheme, other individuals they were working with in the conspiracy would first obtain large amounts of shares of stock in small capitalization companies that were traded on national securities exchanges. After such shares were acquired, defendants CUNNINGHAM and DRUMMOND would place calls to various brokerage firms, pretending to be an investor. During these calls, and in order to deceive the brokerage representative into falsely believing that they were the actual investors, CUNNINGHAM and DRUMMOND provided personal information of their victim investors which had been wrongfully obtained. CUNNINGHAM and DRUMMOND would cause the brokerage to sell stock already existing in the investors' accounts, and then use those proceeds to make unauthorized purchases of stock on behalf of the unsuspecting investors in the small capitalization companies of which the defendants were interested in artificially inflating the value. After DRUMMOND and CUNNINGHAM fraudulently increased the price of shares of stock in these small capitalization companies, their co-conspirators sold these stocks, reaping the benefit of the artificially-inflated stock prices.

Over the course of their conspiracy, CUNNINGHAM and DRUMMOND caused the

execution of more than fifty unauthorized trades in unsuspecting customers' accounts, resulting in approximately \$378,111 in total losses to multiple brokerage firms who had to replace the legitimate stock holdings in their customers' accounts that defendants caused to be sold without authorization.

A copy of this press release is available at <http://www.usdoj.gov/usao/cae/home>, select Press Releases.

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